

Approved as Submitted: September 1, 2004

**CITY OF MORGAN HILL  
JOINT REGULAR REDEVELOPMENT  
AND SPECIAL CITY COUNCIL MEETING  
MINUTES – AUGUST 25, 2004**

**CALL TO ORDER**

Chairman/Mayor Kennedy called the special meeting to order at 7:01 p.m.

**ROLL CALL ATTENDANCE**

Present: Agency/Council Members Sellers, Tate and Chairperson/Mayor Kennedy  
Late: Agency/Council Member Carr (arrived at 7:10 p.m.)  
Absent: Agency/Council Member Chang

**DECLARATION OF POSTING OF AGENDA**

Agency Secretary/City Clerk Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

**SILENT INVOCATION**

**PLEDGE OF ALLEGIANCE**

At the invitation of Chairman/Mayor Kennedy, Mary Ellen Salzano led the Pledge of Allegiance.

**CITY COUNCIL SUBCOMMITTEE REPORT**

**OTHER REPORTS**

City Treasurer Michael Roorda presented a quarterly update on the state of the City's finances, one that reviews the full Fiscal Year 2003-04, ending June 30, 2004. He said that the City ended in a fairly successful year, revenue-wise, all things being considered. One primary factor that contributed to the reason the City is off budget is the reduction in State vehicle in lieu fees. He said that expenses were consistent with what was budgeted with some increases in expenditures. He indicated that more money was expended than was taken in revenues, but that this was expected and projected. The City can be reassured that it has a substantial general fund reserve, even though they have been tapped into the past few years. He said that the City has met and identified a budget strategy to address the shortfall in revenues and expenditures, moving forward, in order to bring the budget into balance over a period of time. He addressed the general fund revenue, indicating that the diversity in revenue sources continues to serve the City well during these difficult times. He noted that there continues to be a drop in sales tax based on projections and prior years' results, down \$½ million or more. However, the City has done better in the property taxes than expected. He stated that property taxes are becoming a more significant component of the City's overall revenue and is helping to offset the drop in sales tax seen over the last couple of years. It is hoped that in the coming year, the City will see a leveling off or increase in sales taxes. Seeing an increase in sales taxes and property taxes will give the City some relief. He stated the

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State is expected to return \$600,000 in vehicle in lieu fees to the City within the next few years. All in all, given the difficulty of the past year, the City's finances have ended with good results.

Mr. Roorda addressed the City's overall expenses, noting that public safety (police & fire), recreation, and public works utilize general fund allocations. The City saw some under spending compared to budget in the police department where fire services is contracted out to the County and that there is no change in that budget. There has been a slight increase in administration expenses due to some of the projects that have come on line such as the aquatics center. He noted that expenditures in public works have come down slightly below budget. He said that it is his understanding that there is still some work to be done with the numbers.

Mr. Roorda indicated that Fiscal Year 2004-05 will see an increase in the draw down of the general fund reserve, still leaving a substantial reserve. It was understood that this would be one of the more difficult years in terms of the City's use of general fund reserves. He said that the City is seeing increases in both revenues and expenses. He said that there are increases associated with the aquatics center. It is the Finance & Audit Committee's hope to see stabilization; some increase in sales tax dollars and property taxes, and that the City will receive backfill of vehicle in lieu fees. He informed the Council and the public that the City will see increases in both police and fire contracts, the increase attributed to the cost of pensions that are commencing this fiscal year and will be an ongoing expense.

### **PUBLIC COMMENT**

Chairman/Mayor Kennedy opened the floor to public comments for items not appearing on this evening's agenda.

John Kennett indicated that he presented the Council with a copy of the comments he was going to make this evening. However, the City Manager has indicated, prior to the start of the meeting, that public works staff responded to his concerns today and that a meeting is scheduled for Friday morning to discuss the relocation of the new street light on Cochrane Road. He said that the issue for him is that council and staff members change. He stated that it is important for individuals who reside on the north side of Cochrane Road to receive something in writing that states definitively that absence of significant changes in circumstances, that the construction of the road will not impact the north side trees and landscaping. He noted that on March 3, 2004, the Council indicated that a compromise was workable because public works staff had measured the area and felt that the improvements could be installed without impacting the neighbors on the north side of the road. He wants to make sure that this is part of the record so that the trees are protected.

Mary Ellen Salzano informed the Council that on September 11 at 10 a.m., there will be a celebration and observation of Patriots Day held at the Community and Cultural Center Amphitheater. She indicated that the American Legion will be presenting blue star banners to Morgan Hill residents/employees who have a family member serving in the military.

Council Member Carr entered and was seated.

## ***Redevelopment Agency Action***

### **CONSENT CALENDAR:**

**Action:**        *On a motion by Agency Member Tate and seconded by Agency Member Carr, the Agency Board, on a 4-0 vote with Agency Member Chang absent, **Approved** Consent Calendar Items 1-3, as follows:*

1.    **JUNE 2004 FINAL FINANCE & INVESTMENT REPORT- REDEVELOPMENT AGENCY.**  
***Action:** **Accepted** and **Filed** Report.*
2.    **JULY 2004 MONTHLY RDA FINANCE & INVESTMENT REPORT.**  
***Action:** **Accepted** and **Filed** Report.*
3.    **REVISED BUSINESS ASSISTANCE GUIDELINES.**  
***Action:** **Adopted** the Revised Business Assistance Guidelines.*

## ***City Council Action***

### **CONSENT CALENDAR:**

City Manager Tewes indicated that he would like to make a comment regarding item 4 and Mayor Pro Tempore Sellers requested that item 7 be removed from the consent calendar for a brief comment.

**Action:**        *On a motion by Council Member Tate and seconded by Council Member Carr, the City Council, on a 4-0 vote with Council Member Chang absent, **Approved** Consent Calendar Items 5, 6, 8, and 9 as follows:*

5.    **JULY 2004 MONTHLY FINANCE & INVESTMENT REPORT.**  
***Action:** **Accepted** and **Filed** Report.*
6.    **PERFORMANCE MEASURE UPDATE – FOURTH QUARTER FISCAL YEAR 2003-2004.**  
***Action:** **Received** and **Filed** Report.*
8.    **APPOINTMENTS TO THE SANTA CLARA VALLEY TRANSPORTATION AUTHORITY (VTA) VALLEY TRANSPORTATION PLAN DESIGN ENHANCEMENTS (VTP DE) COMMITTEE.**  
***Action:** 1) **Approved** the Request to Appoint 1 Member of the Planning Commission and 2 Members of the Architectural Review Board to Serve on the Newly Established VTA Valley Transportation Plan Design Enhancements (VTP DE) Committee; and 2. **Directed** Staff to Agendize on the Next Planning Commission and Architectural Review Board Agendas the*

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*Request that They Submit to the City Council the Names of Their Members Interested in Serving on the VTP DE Committee.*

9. **MEDICAL SERVICES POLICY AND OBJECTIVE.**

**Action:** Adopted the Medical Services Policy and Objectives.

4. **JUNE 2004 FINAL FINANCE & INVESTMENT REPORT- CITY OF MORGAN HILL.**

City Manager Tewes said that the June 2004 financial report is the year-end for Fiscal Year 2003-04. He informed the Council that staff has presented it with a document this evening that will be shared and discussed with the Council's Finance & Audit Committee. The document is an update to the five-year forecast that can be made based on the actual results of the last fiscal year and based on the actions taken by the Governor and the legislature in adopting the budget, assuming the adoption of proposition 1A. He noted that the Council has adopted a multi-year strategy to address coming into balance with the City's budget. He indicated that the City's general fund reserves allow the City to bring the budget into balance over a period of time without having to adversely impact services to the community in a significant way. He stated that the five year strategy adopted by the Council is reflected in the numbers requires that there be a goal, and that certain actions be taken. He said that the goal states that by June 30, 2008, the City will achieve a balance in the general fund such that revenues will equal expenditures in that fiscal year, doing so without reducing the City's reserves below 25% of revenues. In order to achieve this, the City needs to take certain steps to reduce expenditures in the general fund by \$800,000 in the current fiscal year. He noted that this has been achieved with the adoption of the budget. In next fiscal year, the City will need to come up with another \$400,000 of permanent reductions and spending in the general fund. This will be accomplished in the recommended budget to the Council. He noted that this will also require new revenues and that the Council has committed to identify \$800,000 in new revenue next fiscal year and \$400,000 in the following fiscal year. The forecast suggests that by June of that year, the City will still be out of balance by \$½ million. However, the City will still have a substantial 35% reserve, even though the City will still be out of balance in that year. He stated that there are still some adjustments that need to be undertaken with the five-year forecast and in the Council's strategy. However, one of the aspects of the Council's strategy was that it be periodically updated to reflect actual results based on the most current information.

Mayor Kennedy stated that the City has made significant cuts in expenditures by \$800,000. He said that the cut backs in the watering, landscaping and turf on some of the City's park are evident to the public. He indicated that the City has received complaints about this issue. However, the City has had to make these cutbacks based on the limitations of the budget and that the Council has to make structural changes to reduce operating costs to meet the goal to bring the budget and the City's expenses and revenues into balance.

**Action:** *On a motion by Council Member Tate and seconded by Mayor Pro Tempore Sellers, the City Council, on a 4-0 vote with Council Member Chang absent, Accepted and Filed Report.*

7. **REQUEST FOR CITY CO-SPONSORSHIP OF OPERATION: CARE AND COMFORT**

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**MILITARY CARE PACKAGE PROGRAM.**

Mayor Pro Tempore Sellers stated that he supports the effort to co-sponsor the “Operation: Care and Comfort Military Care Package Program.” However, he felt that it was important to point out to the public that this is a very unusual set of circumstances that the nation is in a war time situation. Therefore, the City will be dealing with the situation by providing this opportunity. He said that it is very rare that the City provides public facility for such purposes. He appreciated that this program was brought to the Council’s attention because he felt that under this particular specific circumstance it is an action that is warranted and appropriate.

**Action:**        *On a motion by Mayor Pro Tempore Sellers and seconded by Council Member Carr, the City Council, on a 4-0 vote with Council Member Chang absent, **Agreed** to Co-Sponsor “Operation: Care and Comfort Military Care Package Program.”*

**FUTURE COUNCIL-INITIATED AGENDA ITEMS**

No items were identified.

***Redevelopment Agency and City Council Action***

**CLOSED SESSIONS:**

Agency Counsel/City Attorney Leichter announced the below listed closed session items:

1.

**CONFERENCE WITH LEGAL COUNSEL - ANTICIPATED LITIGATION**

Authority:	Government Code Sections 54956.9(b) & (c)
Number of Potential Cases:	5

**OPPORTUNITY FOR PUBLIC COMMENT**

Chairman/Mayor Kennedy opened the Closed Session items to public comment. No comments were offered.

**ADJOURN TO CLOSED SESSION**

Chairman/Mayor adjourned the meeting to Closed Session at 7:25 p.m.

**RECONVENE**

Chairman/Mayor reconvened the meeting at 9:45 p.m.

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**CLOSED SESSION ANNOUNCEMENT**

Chairman/Mayor Kennedy reported that the City Council decided to reject Mr. Bruce Tichinin's request to disqualify City Attorney Helene Leichter, City Manager Ed Tewes, Attorney "Burnes," and the law firm of Jorgenson, Siegel, McClure and Flegel.

**ADJOURNMENT**

There being no further business, Chairman/Mayor Kennedy adjourned the meeting at 9:47 p.m.

**MINUTES RECORDED AND PREPARED BY:**

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**IRMA TORREZ, AGENCY SECRETARY/CITY CLERK**